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STATE FOR EB/IFD/ODF EMILY WAECHTER,
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SUBJECT: LIBERIA: ITALY EAGER TO HELP, BUT STILL CONCERNED
ABOUT FUTURE DEVELOPMENT ASSISTANCE FOR SOMALIA AND SUDAN

REF: STATE 9925

¶1. (SBU) Summary. The Ministry of Finance (MOF) reports Italy wants to be helpful on the question of clearing Italy,s World Bank (WB) arrears using internal resources, but Italy still seeks a "framework" solution to include Liberia, Somalia, and Sudan. Italy is concerned that using internal WB resources to pay off Liberian arrears would deplete WB resources and make it difficult to offer a similar generous solution to Somalia, when Somalia was ready for IFI assistance. End summary.

¶2. (U) Acting EcMin met with Francesca Manno, MOF Development Banking Director, February 7 to discuss reftel points. A/ECMIN opened to say that Liberia presented the world with a historic opportunity to help a struggling African country, whose leader, in a short time, has started to turn Liberia,s economy around dramatically. In view of the need for the international community to support Liberia at this historic moment, she asked Manno whether the GOI could support arrears clearance at the WB.

¶3. (SBU) Manno stated that the GOI does not now intend to "link" clearance of Liberia's arrears to future clearance of arrears for Somalia and Sudan. However, the GOI is nonetheless concerned that using internal World Bank (IDA) resources to clear Liberia,s substantial WB arrears could affect WB solvency and, thus, the prospects for possible future arrears clearance for Somalia and Sudan. In particular, the GOI wants to ensure there are enough IFI resources to assist Somalia because Italy will play a leading role in any financial workout for Somalia, and Italy,s foreign assistance budget is very tight.

¶4. (SBU) Manno continued that although Italy does not link the arrears clearance of Liberia, Somalia, and Sudan, the GOI nonetheless strongly believes in the need for a long-term IFI framework to address arrears clearance and additional assistance for all three countries and to avoid giving "special consideration" to any one country. That said, Manno stated the GOI will do everything possible to work with the USG and other donor nations to assist Liberia now.

¶5. (SBU) On the February 13-14 Liberia Partners, Forum, Manno and her colleagues were to eager to know what the United States would pledge to set the standard for other donors. Manno wanted to use this information to inform MFA and MOF senior levels and, she implied, to affect positively the Italian pledge.

¶6. (SBU) She also said she was not certain who would represent the GOI at the February 13-14 meetings, as the World Bank/Liberia invitations had not yet arrived at the MOF. (Note. Our contacts at the Italian MFA did receive an invitation from the World Bank, but not from the Government of Liberia. End note.)

¶7. (SBU) Comment. Italy,s new government has made African foreign assistance a priority. However, we are not sure whether Manno,s statement that Italy is seeking a "framework" to address Liberia-Somalia-Sudan arrears is any different than Italy,s previous statements that it wanted to "link" a Liberian solution to one for Somalia and Sudan. We take the new Italian government's stated objective to focus on African foreign assistance issues and Manno,s word-smithing as an indication that Italy would like to be helpful. At this late date, and in view of the apparent confusion over the invitation to the Liberia Partners Forum, we would suggest that the Department contact Italy,s embassy to determine that Italy will be represented at this important meeting. End comment.
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